MANUALLY SIGNED

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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F O R M 10-Q

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QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended **February 29, 1992**

Commission file number **0-9099**

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LEXICON CORPORATION
(Exact name of registrant as specified in its charter)

L3Q
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APR 17 1992

DELAWARE	**59-1670533**
(State or other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

6300 NW 5th Way, Fort Lauderdale, Florida **33309**
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code **305-772-1329**

Former name, former address and former fiscal year, if changed since last report **No changes have occurred since last Form 10-Q filing**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES **X** NO _____

8,113,985 shares of the issuer's Common Stock were outstanding as of the latest practicable date, **April 13, 1992**.

LEXICON CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

LEXICON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	February 29, 1992 (unaudited)	August 31, 1991 (restated)
CURRENT ASSETS:		
Cash and cash equivalents	$ 845,629	$ 881,817
Marketable securities	--	112,500
Note receivable	450,000	450,000
Accounts receivable, net	25,459	25,239
Prepaid and other	14,642	10,013
Assets of discontinued operations	1,515,473	1,721,547
Total current assets	2,851,203	3,201,116
PROPERTY, PLANT AND EQUIPMENT:		
Land	29,953	29,953
Furniture, fixtures and equipment	13,280	12,624
Leasehold improvements	--	5,267
	43,233	47,844
Less accumulated depreciation and amortization	(7,201)	(16,067)
	36,032	31,777
OTHER ASSETS	110,183	119,703
ASSETS OF DISCONTINUED OPERATIONS	728,011	794,704
	$ 3,725,429	$ 4,147,300

(continued)

LEXICON CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(continued)

LIABILITIES AND SHAREHOLDERS' INVESTMENT

	February 29, 1992 (unaudited)	August 31, 1991 (restated)
CURRENT LIABILITIES:		
Accounts payable	$ 9,659	$ 5,252
Accrued payroll and related expenses	14,373	18,646
Other accrued expenses	127,960	148,841
Due to Sports-Tech (former subsidiary)	--	100,000
Reserve for loss on sale of subsidiary	371,270	--
Liabilities of discontinued operations	1,222,214	1,509,286
Total current liabilities	1,745,476	1,782,025
DEFERRED ITEMS OF DISCONTINUED OPERATIONS	--	37,311
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' INVESTMENT:		
Class A preferred stock, convertible to common stock, $.10 par value, authorized 1,200,000 shares, 45,966 shares issued and outstanding, aggregate liquidation preference of $459,660 at February 29, 1992	4,596	4,596
Common stock, $.10 par value, authorized 15,000,000 shares, issued and outstanding 8,113,985 shares	811,398	811,398
Capital in excess of par value	21,426,714	21,426,714
Accumulated deficit	(19,972,473)	(19,624,462)
	2,270,235	2,618,246
Less note receivable from shareholder	(290,282)	(290,282)
	1,979,953	2,327,964
	$ 3,725,429	$ 4,147,300

The accompanying notes are an integral part of these consolidated balance sheets.

LEXICON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	February 29, 1992	February 28, 1991 (restated)	February 29, 1992	February 28, 1991 (restated)
COSTS AND EXPENSES:				
Selling, general and administrative	$ 33,657	$ 26,317	$ 167,332	$ 38,465
Depreciation and amortization	1,043	5,083	1,967	11,762
	34,700	31,400	169,299	50,227
Loss from operations	(34,700)	(31,400)	(169,299)	(50,227)
OTHER INCOME (EXPENSES):				
Interest income	10,834	1,412	22,948	2,155
Realized gain (loss) on marketable securities	88,747	(404,023)	88,747	(492,776)
Unrealized gain on marketable securities	--	483,493	--	101,275
Other, net	78	(1,187)	78	(3,361)
Income (loss) from continuing operations	64,961	48,375	(57,526)	(442,934)
DISCONTINUED OPERATIONS:				
(Loss) income from operations of discontinued businesses	(61,916)	(509,479)	80,785	(816,103)
Loss on disposal of discontinued operations	(371,270)	--	(371,270)	--
Loss from discontinued operations	(433,186)	(509,479)	(290,485)	(816,103)
Net loss	$ (368,225)	$ (461,104)	$ (348,011)	$ (1,259,037)
INCOME (LOSS) PER COMMON SHARE:				
Income (loss) from continuing operations	$ .01	$ .01	$ (.01)	$ (.06)
(Loss) income from discontinued operations	(.01)	(.07)	.01	(.10)
Loss on disposal of discontinued operations	(.05)	--	(.05)	--
Net loss	$ (.05)	$ (.06)	$ (.05)	$ (.16)

The accompanying notes are an integral part of these consolidated financial statements.

LEXICON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Six Months Ended	
	February 29, 1992	February 28, 1991
Cash flows from continuing operating activities:		
Net loss	$ (348,011)	$ (1,259,037)
Adjustments to reconcile net loss to net cash provided by (used in) continuing operating activities:		
Net loss from discontinued operations	290,485	816,103
Depreciation and amortization	1,967	11,762
Unrealized gain on marketable securities	--	(101,275)
Realized (gain) loss on marketable securities	(88,747)	492,776
Other	(78)	50,950
Decrease (increase) in -		
Accounts receivable, net	(220)	97,429
Prepaid and other current assets	(4,629)	(34,833)
Increase (decrease) in -		
Accounts payable	4,407	(272,524)
Accrued expenses	(25,156)	(57,763)
Total adjustments	178,031	1,002,645
Net cash used in continuing operating activities	(169,980)	(256,392)
Cash flows from discontinued operating activities:		
Net loss from discontinued operating activities	(290,485)	(816,103)
Loss on disposal of discontinued operations	371,270	--
Adjustments to reconcile net loss to net cash provided by discontinued operating activities:		
Minority interest in discontinued operations	--	(217,636)
Decrease in assets of discontinued operations	272,767	1,672,343
Decrease in liabilities of discontinued operations	(326,383)	(555,979)
Total adjustments	(51,616)	898,728
Net cash provided by discontinued operating activities	29,169	82,625
Net cash used in operating activities	(140,811)	(173,767)
Cash flows from investing activities:		
Payment of amount due to Sports-Tech	(100,000)	--
Capital expenditures	(6,331)	--
Proceeds from the sale of assets	187	--
Proceeds from the sale of marketable securities	201,247	110,449
Net cash provided by investing activities	95,103	110,449
Cash flows from financing activities:		
Proceeds from payments on notes receivable	9,520	20,000
Net cash provided by financing activities	9,520	20,000

(continued)

LEXICON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(continued)

	For the Six Months Ended	
	February 29, 1992	February 28, 1991
NET DECREASE IN CASH AND CASH EQUIVALENTS	(36,188)	(43,318)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	881,817	64,953
CASH AND CASH EQUIVALENTS AT END OF QUARTER	$ 845,629	$ 21,635
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	$ --	$ --
Income taxes	--	--
Supplemental disclosure of noncash investing and financing activities:		
Decrease in accrued expenses as a result of expiration of stock options	--	12,749
Satisfaction of note receivable from shareholder	--	288,540
Settlement of note receivable from shareholder	--	(276,665)
Retirement of common stock	--	(11,875)

The accompanying notes are an integral part of these consolidated financial statements.

LEXICON CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 1992
(unaudited)

(1) BASIS OF PRESENTATION

The consolidated financial information contained herein for Lexicon Corporation (the "Company") has been prepared by the Company without audit, for filing with the Securities and Exchange Commission (the "Commission"). In July 1991, the Company sold its majority interest in Sports-Tech International, Inc. ("Sports-Tech") and terminated activities in the Sports Technology segment. The accompanying consolidated financial statements reflect Sports-Tech as a discontinued operation.

On March 26, 1992, the Company entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with BECT Acquisition Group, Inc. ("BECT"), for the sale of all the outstanding capital stock of SCOPE Incorporated ("SCOPE"), a wholly-owned subsidiary of the Company. The accompanying consolidated financial statements reflect SCOPE as a discontinued operation (see Note 2).

Certain information and notes have been condensed or omitted pursuant to the rules and regulations of the Commission. The consolidated financial information presented herein, while not necessarily indicative of results to be expected for the year, reflects all adjustments of a normal recurring nature, which, in the opinion of the Company, are necessary to a fair statement of the results for the periods indicated. Certain items have been reclassified to conform to the presentation for the current year. This financial information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1991.

(2) DISPOSITION OF BUSINESSES

As a result of the reclassifications discussed below, the consolidated financial statements for all periods present the Signal Technology, Defense Systems and Sports Technology businesses as discontinued operations.

(a) **SCOPE Incorporated**

Pursuant to the terms of the Stock Purchase Agreement, the Company has agreed to sell to BECT all the outstanding shares of the common stock of SCOPE. The sale price is $1,000,000 payable in cash at the closing. BECT has deposited in escrow with the Company's counsel $50,000 (the "Deposit") as security for its obligation to consummate the sale. BECT will also guaranty payment of a three-year $200,000 promissory note to be owed by SCOPE to the Company (the "SCOPE Note"), which will bear interest at 8% per annum and mature May 31, 1995. The SCOPE Note will replace an outstanding note from SCOPE to the Company in the principal amount of $450,000, which presently matures on May 31, 1993. The SCOPE Note will be collateralized by a security interest in all of SCOPE's furniture, fixtures and equipment. The sale is subject to approval by the Company's shareholders and certain other conditions. The Company intends to submit the transaction to its shareholders for approval at its annual meeting, which is presently scheduled to be held in June 1992. The shares to be sold represent all of the issued and outstanding common stock of SCOPE. Subject to approval by the Company's shareholders, the sale is expected to be effected no later than July 31, 1992. The anticipated loss on the sale at July 31, 1992 will be approximately $371,000, including the write-off of approximately $169,000 of cost in excess of net assets acquired related to the original acquisition of SCOPE by the Company and transaction costs of approximately $100,000.

The consolidated statements of operations for the three and six months ended February 29, 1992 and February 28, 1991 present the SCOPE businesses as a discontinued operation. Revenue of the discontinued SCOPE businesses for the three and six months ended February 29, 1992 and February 28, 1991 was $2,300,341, $4,881,215, $1,944,254 and $4,068,320, respectively. The net income of the discontinued SCOPE businesses for the six months ended February 29, 1992 was $80,785; the net loss for the three months ended February 29, 1992 and the three and six months ended February 28, 1991 was $61,916, $277,976 and $480,553, respectively.

(b) **Sports-Tech**

Pursuant to the terms of a Stock Purchase Agreement dated July 26, 1991, the Company sold to Bristol Holdings, Inc., a Nevada corporation unaffiliated with the Company, 750,000 shares of the common stock of Sports-Tech, which was at that time a majority-owned (57.7%) subsidiary of the Company. The shares sold represented all of the outstanding common stock of Sports-Tech then owned by the Company. The consolidated

statements of operations for the three and six months ended February 28, 1991 presents the Sports Technology business as a discontinued operation. Revenue of the discontinued Sports Technology business for the three and six months ended February 28, 1991 was $562,603 and $1,221,698, respectively. The net loss of the discontinued Sports Technology business for the three and six months ended February 28, 1991 was $231,503 and $335,550, respectively.

(3) CASH AND CASH EQUIVALENTS

Cash and cash equivalents at February 29, 1992 and August 31, 1991 included approximately $440,000 of cash which represented a portion of the proceeds from the settlement of a lawsuit. Under the agreement to sell the common stock of Sports-Tech, the Company was restricted from using the net cash proceeds from the settlement of the lawsuit during an indemnification period which expired in December 1991. All of the restricted proceeds were released to the Company in January 1992.

For purposes of the accompanying statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

(4) MARKETABLE SECURITIES

In December 1991, the Company sold its remaining marketable securities for cash proceeds of approximately $201,000. The carrying value of marketable securities was $88,747 below market value at the time of sale and approximately equal to market value at August 31, 1991.

(5) INCOME TAXES

Due to the Company's current expectation that no ordinary taxable income for Federal or state purposes will be incurred for fiscal 1992 and 1991, no income tax expense/benefit was provided for in the three or six month periods ended February 29, 1992 and February 28, 1991.

(6) INCOME (LOSS) PER COMMON SHARE

For the three and six months ended February 29, 1992, net loss divided by the weighted average number of common shares outstanding during the periods (8,113,985 shares) results in net loss applicable to common shares of $.05 per share during each period. For the three and six months ended February 28, 1991, the net loss divided by the weighted average number of common shares outstanding during the periods (7,878,788 shares and 7,911,691 shares, respectively) results in a net loss applicable to common shares of $.06 and $.16 per share, respectively. Options and warrants have not been considered in the computations of income (loss) per common share because they are antidilutive.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Working capital at February 29, 1992 was $1,105,727, a decrease of approximately $313,000 from $1,419,091 at August 31, 1991. Excluding the current assets and current liabilities of discontinued operations, working capital at February 29, 1992 was $812,468, a decrease of approximately $394,000 from August 31, 1991, primarily due to the establishment of a reserve of approximately $371,000 related to the expected loss on the sale of SCOPE. The balance of cash and cash equivalents declined by approximately $36,000 to $845,629 at February 29, 1992 from $881,817 at August 31, 1991.

Net cash of approximately $170,000 was used in continuing operating activities in the six months ended February 29, 1992. Accrued expenses decreased by approximately $25,000. The net loss from continuing operations for the six months ended February 29, 1992 of $57,526 includes a gain from the sale of marketable securities of $88,747 during the current quarter. The Company generated net cash proceeds of approximately $201,000 in the period ended February 29, 1992 from the sale of marketable securities.

As a result of the cash provided by the sale of Sports-Tech, the settlement of a lawsuit in August 1991 and the proceeds from the sale of its marketable securities, the Company believes that it will have sufficient cash to pay its continuing operating expenses (consisting principally of the salary of the Company's President and related benefits, office expenses and other general and administrative expenses) through fiscal year 1992.

On March 26, 1992, the Company entered into a Stock Purchase Agreement with BECT for the sale of all the outstanding capital stock of SCOPE. The accompanying consolidated financial statements reflect SCOPE as a discontinued operation (see Note 2 of Notes to Consolidated Financial Statements for further description of this transaction). If the sale of SCOPE is consummated, the Company will not have any continuing business operations. The Board of Directors of the Company has not yet determined what business operations, if any, the Company will conduct following the sale of SCOPE or how the proceeds from such sale, if consummated, will be applied. Whether or not the sale of SCOPE is consummated, the Board of Directors intends to consider a number of alternatives for the Company, including the development or acquisition of new products or businesses, distribution of available cash to the Company's shareholders and repurchase of the Company's securities. Such activities could include the acquisition of an entire company or companies, or divisions thereof, either through a merger or a purchase of assets, as well as investment in the securities of a company or companies, or alternatively a combination with another business in which the Company would not be the surviving corporation. The Company has not entered into any negotiations

concerning any such acquisitions or investments. There can be no assurance that the Company will be successful in any such efforts. While the Company does not presently intend to spend in excess of the cash available to it for acquisitions or investments, it is possible that such a transaction in the future could require additional funds. Sources of such capital could include bank borrowings or the sale of debt or equity securities; however, there can be no assurance that the Company would be successful in obtaining such additional funds, if required.

Results of Operations -- Fiscal 1992 Compared With Fiscal 1991

The Company operated in two principal segments in fiscal 1992: the Signal Technology and Defense Systems businesses, which were conducted by SCOPE. During fiscal 1991, the Company also operated in an additional segment, the Sports Technology business, which was conducted by Sports-Tech. SCOPE is expected to be sold no later than July 31, 1992. Accordingly, SCOPE's Signal Technology and Defense Systems businesses are presented as discontinued operations in the accompanying consolidated financial statements. The Company's ownership interest in Sports-Tech was sold in July 1991; and, as a result, the Sports Technology business is presented as a discontinued operation in the accompanying consolidated financial statements. With the proceeds from the sale of SCOPE, the Company may develop, acquire and/or invest in new products or businesses.

As a result of the reclassification of SCOPE and Sports-Tech as discontinued operations, the Company had no revenue from continuing operations during the three and six month periods ended February 29, 1992 and February 28, 1991, respectively. The Company's continuing expenses for such periods consist principally of the salary of the Company's President and related benefits, office expenses and other general and administrative expenses.

Selling, general and administrative expenses increased in the three and six months ended February 29, 1992 to $33,657 and $167,332 compared with $26,317 and $38,465 in the prior year, primarily due to the Company's absorption of costs in the current year that were allocated to its subsidiaries in the prior year. The decreased depreciation expense is primarily due to furniture and equipment reductions by the Company.

Interest income increased to $10,836 in the three months ended February 29, 1992 from $1,412 in the same period of the prior year and increased to $22,948 for the six months ended February 29, 1992 from $2,155 in the same period of the prior year. This increase in earnings is a result of the deposited cash proceeds from the sale of the Sports-Tech common stock and the lawsuit settlement which occurred in July and August 1991, respectively.

The Company sold its remaining shares of ICOT common stock (100,000 shares) in December 1991. As a result of this sale, the Company realized a gain of $88,747 in the three months ended February 29, 1992. Net proceeds of $201,247 were provided by the sale in the three months ended

February 29, 1992, and were used in part to pay the operating expenses of the Company. The Company sold 301,950 shares of ICOT common stock at a loss of $404,023 in the three months ended February 28, 1991. In the six months ended February 28, 1991, the Company had incurred a loss of $492,776 on the sale of 351,950 shares of ICOT common stock. Net proceeds of $110,449 were provided by the sales in the six months ended February 28, 1991 and were used to pay operating expenses of the Company. The Company reversed previously recorded unrealized losses related to marketable securities of $483,493 and $101,275 in the three and six months ended February 28, 1991, respectively.

Net loss for the three and six months ended February 29, 1992 was $368,225 and $348,011 ($.05 per share in each period) compared to a net loss of $461,104 and $1,259,037 ($.06 and $.16 per share, respectively) for the corresponding periods of the prior year. Net loss for the quarter ended February 29, 1992 includes losses from discontinued operations of $61,916 and loss on disposal of $371,270 ($.01 and $.05 per share, respectively). Loss on disposal of $371,270 and income from discontinued operations of $80,785 is included in the net loss for the six months ended February 29, 1992. The net losses of the prior year included loss from discontinued operations of $509,479 ($.07 per share) and $816,103 ($.10 per share) in the three and six month periods ended February 28, 1991, respectively.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None

(b) Reports on Form 8-K - None

LEXICON CORPORATION AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEXICON CORPORATION
(Registrant)

Date: April 14, 1992

By: Michael Levy

Michael Levy
Chairman of the Board, President and Chief Executive Officer
(Principal Executive Officer)

Date: April 14, 1992

By: Steven W. Lowe

Steven W. Lowe
Vice President and Treasurer
(Principal Financial and Accounting Officer)